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SUBJECT: INFORMATION ON ITALY'S PLANS TO RETURN TO NUCLEAR ENERGY

REF: A) SECSTATE 127468 B) UNVIE 576 C) ROME 1053

¶1. (U) In response to Ref A questions, post provides the following information.

¶2. Plans to expand Italy's nuclear power program:

(U) The GOI's Economic Development Minister Claudio Scajola (i.e. Italy's de-facto energy minister) announced in May 2008 that Italy planned to return to nuclear energy power and that the government would work towards starting construction of new nuclear power plants by April 2013. Press reports from the recent London Energy Summit of November 19 quote Minister Scajola stating that even with the low price of oil, nuclear energy is competitive and that Italy will work towards obtaining nuclear energy.

(U) A return to domestic nuclear power generation was part of Prime Minister Berlusconi's April 2009 election platform. Solid majorities in both chambers of the Italian Parliament should help the GOI pass and implement the necessary legislative and regulatory infrastructure for a return to nuclear energy. Although the Italian public in 1987 approved three referenda that had the practical effect of ending Italy's nuclear power generation, there is now growing public support for a return to nuclear power. However, there remains substantial opposition from environmental groups and the far-left parties, currently not represented in Parliament, as well as very strong "not in my backyard" (NIMBY) sentiment.

¶3. Italy's underlying motivations for returning to nuclear power:

(SBU) The GOI has stated that one of the principal motivations for bringing nuclear power back is to diversify its domestic energy supplies and improve Italy's energy security. Italy depends on imported natural gas and oil for approximately 90 percent of its domestic energy demand. According to the EIA, installed domestic electricity generation has not kept up with increasing demand. This has resulted in increasing imports of electricity as a percentage of total consumption, including electricity imports from France's nuclear power plants. Minister Scajola has stated that his goal is for Italy to reach by 2020 a mix of energy sources of 25 percent nuclear, 25 percent renewables and 50 percent fossil fuels. The GOI also has said that nuclear power can provide more affordable energy than other new alternatives.

¶4. The Government's role in the financing of the civil nuclear energy sector:

(SBU) It is not yet clear how Italy's nuclear power plants will be financed. Local expert opinion holds that Italy's electricity parastatal ENEL will have the lead on nuclear power plant construction and that ENEL will likely finance the program, either through company bond issuances and/or long-term electricity supply agreements with local industries (the Finland model is often mentioned in the press or public discussions). The GOI is not

expected to provide direct financing. However, all interested parties believe that the GOI will have to provide some form of long term guarantees to insure investors against potential future political "rethinking" regarding nuclear power generation.

¶5. Nuclear regulatory authority:

(SBU) Italy does not currently have a nuclear energy regulator, since at present it has no nuclear energy industry. There is a bill in parliament that provides for the creation of an independent regulator, likely reporting to the Prime Minister's office, which will group together about 50 experts each from two existing agencies, ISPRA (Higher Institute for Environmental Protection and Research) and ENEA (Agency for New Technologies, Energy and the Environment). ISPRA currently has oversight responsibility for safety and security of nuclear material in Italy (e.g., in research reactors, mothballed nuclear power plants, and in the medical sector). ENEA conducts nuclear research, and also coordinates programs such as subsidies for renewable energy and energy efficiency. Responsibility for nuclear power promotion lies with the Economic Development Ministry. There has been some discussion of the new regulator also hiring 100 additional staff who are not current GOI employees, but funding has not yet been approved for those positions.

¶6. Domestic nuclear liability law:

(SBU) Italy has ratified the Paris Convention, but has not yet ratified the "Paris-Brussels Updating Protocol" increasing the minimum level of liability coverage. (The latter protocol is currently moving through the internal GOI review process.) Italy

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also has signed, but not ratified, the Convention on Supplementary Compensation for Nuclear Damage (CSC). GOI officials are reviewing the possibility of CSC ratification, but it is not as far along in the process as the Paris-Brussels Updating Protocol; see ref C for more details).

¶7. Italian manufacturing base involvement in nuclear-related products/services:

(SBU) Italy's large electricity parastatal company ENEL has over recent years begun to reconstitute its nuclear expertise, particularly in cooperation with countries with nuclear energy power. For example, it has an MOU with France's EDF to acquire a 12.5 percent share of the new nuclear project for a European Pressurized Reactor and has become a minority partner with EDF in various research projects and in the operation of France's reactors in Flamanville. ENEL also acquired and has run since 2005 a nuclear power plant in Slovakia. The other Italian player is Ansaldo Nucleare, a relatively small subsidiary of Italian defense and high tech parastatal Finmeccanica. Ansaldo is the only Italian company which has, over the years, remained active in the field of nuclear engineering. Both ENEL and Ansaldo would like to be able to provide products and services to a future Italian nuclear energy sector.

¶8. Extent of nuclear-trained workforce in Italy:

(SBU) Italy has a relatively small nuclear-trained workforce. Ansaldo Nucleare employs approximately 200 technicians, while ENEL has only recently begun to reconstitute its nuclear department and to hire nuclear engineers. Only a few Italian universities currently offer nuclear specialization programs. However, Italian industry contacts have expressed a desire to see as much local content as possible in the construction of Italian nuclear plants. They have similarly stated that Italy has the local capabilities for the physical construction of the plants and would not need to import significant foreign workforce for construction.

¶9. Current or anticipated nuclear related tenders:

(U) Given that Economic Development Minister Scajola has indicated 2013 as the target year for beginning construction of the first nuclear power plant, early tenders for engineering studies, site

planning, etc. may be expected in the near term. Much will depend on GOI's progress in passing and instituting the legal and regulatory framework to allow a return to nuclear power to Italy.

¶10. Nuclear sector opportunities for U.S. Industry

Given that Italy has not operated a civil nuclear energy program for almost twenty years, the country has only a minimal nuclear infrastructure. It is therefore reasonable to posit that opportunities for U.S. industry will exist across a broad spectrum of supporting industries. We cannot be more exact absent a decision on the nuclear technology design and provider. Note that U.S. companies are currently bidding to provide waste management services for existing nuclear waste.

¶11. Primary companies (domestic and foreign) for consideration in involvement in the civil nuclear energy sector:

(SBU) Italy is in the early stages of planning a return to nuclear power. There are no active bids or information on on-going construction/production projects. Nevertheless, we understand that among U.S. firms, Westinghouse and General Electric may be interested. A prime European competitor appears to be French Ariva. Even the Russians have made a pitch for involvement, but most local observers discount their chances owing to the "Chernobyl factor." As mentioned, Ansaldo Nucleare, a subsidiary of Finmeccanica is a leading Italian firm in the field.

¶12. Other nuclear supplier countries engaging Italy in its civil nuclear power program:

(SBU) See above. Due to the compressed time frame that the GOI envisions for its nuclear power restart, it is likely that it will rely on established nuclear technology and services suppliers, at least for the construction of the first few nuclear power plants. Consequently, we understand that major nuclear energy technology and service supplier countries are currently engaging with the GOI and relevant Italian energy companies with a goal of securing business opportunities. We also understand that some countries are lobbying the GOI at the highest levels.

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